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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

MINISTRY OF LAW
(Legislative Department)

New Delhi, the 13th May, 1966/Vaisakha 23, 1888 (Saka,

The following Act of Parliament received the assent of the President on the 13th May, 1966, and is hereby published for general information:—

THE FINANCE ACT, 1966
No. 13 OF 1966

[*13th May*, 1966]

An Act to give effect to the financial proposals of the Central Government for the financial year 1966-67

BE it enacted by Parliament in the Seventeenth Year of the Republic of India as follows:—

CHAPTER I
PRELIMINARY

1. (*1*) This Act may be called the Finance Act, 1966. Short title and commencement.

(*2*) Save as otherwise provided in this Act, sections 2 to 43, section 52 and section 53 shall be deemed to have come into force on the 1st day of April, 1966

CHAPTER II

INCOME-TAX AND ANNUITY DEPOSITS FOR THE FINANCIAL YEAR 1966-67

Income-tax.

2. (*1*) Subject to the provisions of sub-sections (*2*), (*3*), (*4*) and (*5*), for the assessment year commencing on the 1st day of April, 1966, income-tax shall be charged at the rates specified in Part I of the First Schedule and, in the cases to which Paragraphs A, B, C and D of that Part apply, shall be increased by a surcharge for purposes of the Union and a special surcharge for purposes of the Union calculated in either case in the manner provided therein.

(*2*) In making any assessment for the assessment year commencing on the 1st day of April, 1966, where the total income of an assessee, not being a company, includes any income chargeable under the head "Salaries", the income-tax payable by the assessee on that part of his total income which consists of such inclusion shall be an amount bearing to the total amount of income-tax payable according to the rates applicable under the operation of the Finance Act, 1965, on his total income the same proportion as the amount of such inclusion bears to his total income. 10 of 1965.

(*3*) In making any assessment for the assessment year commencing on the 1st day of April, 1966, where the total income of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956, includes any profits and gains from life insurance business, the income-tax payable by it shall be the aggregate of the income-tax calculated— 31 of 1956

(*i*) on the amount of profits and gains from life insurance business so included, at the rate applicable in the case of the Life Insurance Corporation of India, in accordance with Paragraph E of Part I of the First Schedule, to that part of its total income which consists of profits and gains from life insurance business; and

(*ii*) on the remaining part of its total income, at the rate applicable to the company on its total income.

(*4*) In cases to which Chapter XII of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act) applies, the tax chargeable shall be determined as provided in that Chapter, and with reference to the rates imposed by sub-section (*1*) or the rates as specified in that Chapter, as the case may be. 43 of 1961.

(*5*) (*a*) In respect of any assessment for the assessment year commencing on the 1st day of April, 1966, in the case of an assessee being a domestic company or an assessee other than a company,—

(*i*) where his total income includes any profits and gains derived from the export of any goods or merchandise out of India, he shall be entitled to a deduction, from the amount of income-tax with which he is chargeable, of an amount equal to

the income-tax calculated at one-tenth of the average rate of income-tax on the amount of such profits and gains included in his total income;

(*iii*) where he is engaged in the manufacture of any articles in an industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951, and has, during the previous year, exported such articles out of India, he shall be entitled, in addition to the deduction of income-tax referred to in sub-clause (*i*), to a further deduction, from the amount of income-tax with which he is chargeable for the assessment year, of an amount equal to the income-tax calculated at the average rate of income-tax on an amount equal to two per cent. of the sale proceeds receivable by him in respect of such export.

65 of 1951.

Explanation.—In this sub-clause, the expression "sale proceeds" does not include freight or insurance attributable to the transport of the articles beyond the customs station as defined in the Customs Act, 1962;

52 of 1962.

(*iii*) where he is engaged in the manufacture of any articles in an industry specified in the said First Schedule and has, during the previous year, sold such articles to any other person in India who himself has exported them out of India, and evidence is produced before the Income-tax Officer of such articles having been so exported, the assessee shall be entitled to a deduction, from the amount of income-tax with which he is chargeable for the assessment year, of an amount equal to the income-tax calculated at the average rate of income-tax on a sum equal to two per cent. of the sale proceeds receivable by him in respect of such articles from the exporter.

(b) The aggregate amount of the deductions under this sub-section shall in no case exceed the amount of income-tax otherwise payable by the assessee.

(c) Nothing contained in sub-clause (*ii*) or sub-clause (*iii*) of clause (*a*) shall apply in relation to—

(1) fuels,

(2) fertilisers,

(3) photographic raw film and paper,

(4) textiles (including those dyed, printed or otherwise processed) made wholly or in part of jute, including jute twine and rope,

(5) newsprint,

(6) pulp—wood pulp, mechanical, chemical, including dissolving pulp,

(7) sugar,

(8) vegetable oils and vanaspathi,

(9) cement and gypsum products.

(11) cigarettes,

respectively, specified in items 2, 18, 20, 23(2), 24(2), 24(5), 25, 28, 35, 37 and 38 of the First Schedule to the Industries (Development and Regulation) Act, 1951. 65 of 1951.

(*d*) The amount of any profits and gains derived from the export of any goods or merchandise out of India in respect of which deduction of income-tax is admissible under sub-clause (*i*) of clause (*a*) shall be computed in accordance with the rules made by the Board in this behalf.

(6) In cases in which tax has to be deducted under sections 193 to 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule.

(7) For the purposes of this section and the First Schedule,—

(*a*) "company in which the public are substantially interested" includes a subsidiary company of such company referred to in clause (*b*) of section 108 of the Income-tax Act;

(*b*) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1966, has made the prescribed arrangements for the declaration and payment within India of the dividends payable out of such income in accordance with the provisions of section 194 of that Act;

(c) "earned income" means any income of an assessee who is an individual, or a Hindu undivided family, or an unregistered firm [not being an unregistered firm assessed under clause (*b*) of section 183 of the Income-tax Act] or an association of persons or body of individuals, whether incorporated or not, not being—

(*A*) a company, or

(*B*) a local authority, or

(*C*) a registered firm, or

(*D*) an unregistered firm assessed under clause (*b*) of the said section 183—

(*i*) which is chargeable under the head "Salaries"; or

(*ii*) which is chargeable under the head "Profits and gains of business or profession" where the business or profession is carried on by the assessee or, in the case of a firm, where the assessee is a partner actively engaged in the conduct of the business or profession; or

(*iii*) which is chargeable under the head "Income from other sources" if it is immediately derived from personal exertion or represents a pension or superannuation or other allowance given to the assessee in respect of the past services of any deceased person, or which

is chargeable under that head under clause (*ia*) of sub-section (*2*) of section 56 of the Income-tax Act, and

includes any such income which, though it is the income of another person, is included in the assessee's total income under the provisions of the Income-tax Act, but does not include any such income on which income-tax is not payable under clause (*iii*) or clause (*v*) of section 86 of that Act or which is exempted from tax under a notification issued under section 60 or section 60A of the Indian Income-tax Act, 1922, as continued in force by clause (*l*) of sub-section (*2*) of section 297 of the Income-tax Act;

11 of 1922.

(*d*) "industrial company" means a company which is mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining.

Explanation.—For the purposes of this clause, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining, if the income attributable to any of the aforesaid activities included in its total income for the previous year is not less than fifty-one per cent. of such total income;

(*e*) "unearned income" means income which is not "earned income";

(*f*) "tax free security" means any security of the Central Government issued or declared to be income-tax free, or any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government;

(*g*) all other words and expressions used in this section and the First Schedule but not defined in this sub-section and defined in the Income-tax Act, shall have the meanings respectively assigned to them in that Act.

Annuity deposit.

3. (*1*) Save as otherwise provided in Chapter XXIIA of the Income-tax Act, annuity deposit for the assessment year commencing on the 1st day of April, 1966 and annuity deposit to be made during the financial year commencing on the 1st day of April, 1966, shall be made by every person to whom the provisions of that Chapter apply, at the rate or rates specified in the Second Schedule.

(*2*) For the purposes of this section and the Second Schedule, the expressions "adjusted total income", "annuity deposit" and "depositor" have the meanings respectively assigned to them under clauses (*1*), (*5*) and (*6*) of section 280B of the Income-tax Act.

CHAPTER III

AMENDMENTS TO THE INCOME-TAX ACT

Amendment of section 2.

4. In section 2 of the Income-tax Act,—

(*a*) in clause (*18*),—

(*i*) in sub-clause (*b*), for the words "if it is not a private company", the words "if it is a company which is not a private company" shall be substituted;

(*ii*) in *Explanation 2*, for the words "consists wholly", the words "consists mainly in the construction of ships or" shall be substituted;

(*b*) in clause (*22*), in sub-clause (*ia*), after the words, figures and letters "the 31st day of March, 1964", the words, figures and letters "and before the 1st day of April, 1965" shall be inserted;

(*c*) in clause (*42A*), after the words "the date of its transfer", the following shall be inserted, namely:—

"but does not include a capital asset, being a certificate issued by an authorised dealer as defined in clause (*ai*) of section 2 of the Foreign Exchange Regulation Act, 1947, as evidence of the remittance of foreign currency or other foreign exchange [as defined respectively in clause (*c*) and clause (*d*) of the said section] to India from a country outside India in accordance with the provisions of the said Act and any rules made thereunder, during the period commencing on the 26th day of October, 1965 and ending on the 28th day of February, 1966, or such later date as the Central Government may, by notification in the Official Gazette, specify in this behalf, notwithstanding that such capital asset has been held by the assessee for not more than twelve months immediately preceding the date of its transfer". 7 of 1947.

Amendment of section 13

5. In section 13 of the Income-tax Act, in clause (*b*), for sub-clause (*ii*), the following sub-clause shall be substituted, namely:—

"(*ii*) if under the terms of the trust or the rules governing the institution, any part of such income enures, directly or indirectly, or if any part of such income or any property of the trust or the institution is during the previous year used or applied, directly or indirectly, for the benefit of the author of the trust or the founder of the institution or any person who has made a substantial contribution to such trust or institution or any relative of such author, founder or person and where such author, founder or person is a Hindu undivided family, any part

such property is during the previous year used or applied, directly or indirectly, for the benefit of any member of the Hindu undivided family or any relative of any member of the family:

Provided that in a case where this section applies by reason only that under the terms of the trust or the rules governing the institution any part of such income enures directly or indirectly or that any part of the income or any property of the trust or institution is, during the previous year, used or applied directly or indirectly, for the benefit of any relative of such author, founder, person or member, and the amount of income so enuring or used or applied for the benefit of such relative, together with the value of the benefit derived by him from the user or application of such property, if any, during the previous year, does not exceed a sum calculated at the rate of twenty-five per cent. of the income of the trust or institution of the previous year, the provisions of this section shall have effect only in respect of that part of the income of the trust or institution which does not exceed the amount so enuring or used or applied together with the value of the benefit aforesaid.".

Amendment of section 32.

6. In section 32 of the Income-tax Act, in sub-section (*1*),—

(*a*) to clause (*ii*), the following proviso shall be added, namely:—

"Provided that where the actual cost of any machinery or plant does not exceed seven hundred and fifty rupees, the actual cost thereof shall be allowed as a deduction in respect of the previous year in which such machinery or plant is first put to use by the assessee for the purposes of his business or profession;";

(*b*) in clause (*iii*), for clause (*1*) of the *Explanation*, the following clause shall be substituted, namely:—

'(*1*) "moneys payable" in respect of any building, machinery, plant or furniture includes—

(*a*) any insurance, salvage or compensation moneys payable in respect thereof;

(*b*) where the building, machinery, plant or furniture is sold, the price for which it is sold,

so, however, that where the actual cost of a motor car is, in accordance with the proviso to clause (*1*) of section 43, taken to be twenty-five thousand rupees, the moneys payable in

respect of such motor car shall be taken to be a sum which bears to the amount for which the motor car is sold or, as the case may be, the amount of any insurance, salvage or compensation moneys payable in respect thereof (including the amount of scrap value, if any) the same proportion as the amount of twenty-five thousand rupees bears to the actual cost of the motor car to the assessee as it would have been computed before applying the said proviso;';

(*c*) in clause (*iv*), for the words "drawing a remuneration not exceeding two hundred rupees per mensem,", the words 'the income of each such person chargeable under the head "Salaries" is seven thousand five hundred rupees or less,' shall be substituted.

Amendment of section 43.

7. In section 33 of the Income-tax Act, in the *Explanation* to sub-section (*3*), the words "and the subsidiary company is an Indian company" shall be omitted.

Amendment of section 33A.

8. In section 33A of the Income-tax Act,—

(*a*) in sub-section (*1*),—

(*i*) in clause (*i*), for the words "forty per cent.", the words "fifty per cent." shall be substituted;

(*ii*) in clause (*ii*), for the words "twenty per cent.", the words "thirty per cent." shall be substituted;

(*iii*) for the words "be allowed as a deduction in respect of the third succeeding previous year next following the previous year in which the land is prepared for planting or replanting, as the case may be:", the following shall be substituted, namely:—

"be allowed as a deduction in the manner specified hereunder, namely:—

(*a*) the amount of the development allowance shall, in the first instance, be computed with reference to that portion of the actual cost of planting which is incurred during the previous year in which the land is prepared for planting or replanting, as the case may be, and in the previous year next following, and the amount so computed shall be allowed as a deduction in respect of such previous year next following; and

(*b*) thereafter, the development allowance shall again be computed with reference to the actual cost of planting, and if the sum so computed exceeds the amount allowed as a deduction under clause (*a*), the amount of the excess shall be allowed as a deduction in respect of the third succeeding previous year next following the previous year in which the land has been prepared for planting or replanting, as the case may be:".

(*b*) in sub-section (*2*),—

(*i*) for the words "the third succeeding previous year next following the previous year in which the land has been prepared", the words, brackets and figure "the previous year in respect of which the deduction is required to be allowed under sub-section (*1*)" shall be substituted;

(*ii*) for the words, brackets and figure "calculated at the rates specified in sub-section (*1*)", the words, brackets and figure "calculated at the rates and in the manner specified in sub-section (*1*)" shall be substituted.

Amendment of section 34.

9. In section 34 of the Income-tax Act, in clause (*a*) of sub-section (*3*)—

(*i*) after the proviso, the following proviso shall be inserted, namely:—

'Provided further that where a ship has been acquired after the 28th day of February, 1966, this clause shall have effect in respect of such ship as if for the words "seventy-five", the word "fifty" had been substituted.';

(*ii*) the following *Explanation* shall be, and shall be deemed always to have been, inserted, namely:—

"*Explanation.*—For the removal of doubts, it is hereby declared that the deduction referred to in section 33 shall not be denied by reason only that the amount debited to the profit and loss account of the relevant previous year and credited to the reserve account aforesaid exceeds the amount of the profit of such previous year (as arrived at without making the debit aforesaid) in accordance with the profit and loss account.".

Insertion of new section 35A.

10. After section 35 of the Income-tax Act, the following section shall be inserted, namely:—

Expenditure on acquisition of patent rights or copyrights.

'35A. (*1*) In respect of any expenditure of a capital nature incurred after the 28th day of February, 1966, on the acquisition of patent rights or copyrights (hereafter, in this section, referred to as rights) used for the purposes of the business, there shall, subject to and in accordance with the provisions of this section, be allowed for each of the relevant previous years, a deduction equal to the appropriate fraction of the amount of such expenditure.

Explanation.—For the purposes of this section,—

(*i*) "relevant previous years" means the fourteen previous years beginning with the previous year in which such expenditure is incurred or, where such expenditure is incurred before the commencement of the business, the fourteen previous years beginning with the previous year in which the business commenced:

Provided that where the rights commenced, that is to say, became effective, in any year prior to the previous year in which expenditure on the acquisition thereof was incurred by the assessee, this clause shall have effect with the substitution for the reference to fourteen years of a reference to fourteen years less the number of complete years which, when the rights are acquired by the assessee, have elapsed since the commencement thereof, and if fourteen years have elapsed as aforesaid, of a reference to one year;

(*ii*) "appropriate fraction" means the fraction the numerator of which is one and the denominator of which is the number of the relevant previous years.

(*2*) Where the rights come to an end without being subsequently revived or where the whole or any part of the rights is sold and the proceeds of the sale (so far as they consist of capital sums) are not less than the cost of acquisition thereof remaining unallowed, no deduction under sub-section (*1*) shall be allowed in respect of the previous year in which the rights come to an end or, as the case may be, the whole or any part of the rights is sold or in respect of any subsequent previous year.

(*3*) Where the rights either come to an end without being subsequently revived or are sold in their entirety and the proceeds of the sale (so far as they consist of capital sums) are less than the cost of acquisition thereof remaining unallowed, a deduction equal to such cost remaining unallowed or, as the case

may be, such cost remaining unallowed as reduced by the proceeds of the sale, shall be allowed in respect of the previous year in which the rights come to an end, or, as the case may be, are sold.

(4) Where the whole or any part of the rights is sold and the proceeds of the sale (so far as they consist of capital sums) exceed the amount of the cost of acquisition thereof remaining unallowed, so much of the excess as does not exceed the difference between the cost of acquisition of the rights and the amount of such cost remaining unallowed shall be chargeable to income-tax as income of the business of the previous year in which the whole or any part of the rights is sold.

Explanation.—Where the whole or any part of the rights is sold in a previous year in which the business is no longer in existence, the provisions of this sub-section shall apply as if the business is in existence in that previous year.

(5) Where a part of the rights is sold and sub-section (4) does not apply, the amount of the deduction to be allowed under sub-section (*1*) shall be arrived at by—

(*a*) subtracting the proceeds of the sale (so far as they consist of capital sums) from the amount of the cost of acquisition of the rights remaining unallowed; and

(*b*) dividing the remainder by the number of relevant previous years which have not expired at the beginning of the previous year during which the rights are sold.'.

Amendment of section 36.

11. In section 36 of the Income-tax Act, in sub-section (*1*), in clause (*viii*), for the words "an amount not exceeding ten per cent. of the total income carried to such reserve account:", the following shall be substituted, namely:—

"an amount not exceeding—

(*a*) in the case of a financial corporation whose paid-up share capital does not exceed three crores of rupees, twenty-five per cent.,

(*b*) in the case of any other financial corporation, ten per cent.,

of the total income carried to such reserve account:".

Amendment of section 43.

12. In section 43 of the Income-tax Act, to clause (*1*), the following proviso shall be added, namely:—

"Provided that where the actual cost of an asset, being a motor car acquired by the assessee after the 28th day of February, 1966, exceeds twenty-five thousand rupees, the ex-

the actual cost thereof shall be taken to be twenty-five thousand rupees.".

Amendment of section 45.

13. In section 45 of the Income-tax Act, sub-sections (2), (3) and (4) shall be omitted.

Amendment of section 55.

14. In section 55 of the Income-tax Act, in sub-section (2), clause (*iv*) shall be omitted.

Amendment of Chapter VIA.

15. In Chapter VIA of the Income-tax Act,—

(*a*) below the heading, the following sub-heading shall be inserted, namely:—

"A.—Deductions in respect of certain payments";

(*b*) in section 80A, in sub-section (2)—

(*i*) in sub-clause (*ii*) of clause (*a*), for the word "; or" occurring at the end, the words "notwithstanding that such contract contains a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of the annuity; or" shall be substituted;

(*ii*) after clause (*b*), the following *Explanation* shall be inserted, namely:—

"Explanation.—For the purposes of sub-clause (*i*) of clause (*a*) and of clause (*b*) of this sub-section, an insurance on the life of any person referred to therein shall include—

(*i*) a policy of insurance on the life of such person securing the payment of a specified sum on the stipulated date of maturity of the policy, if such person is alive on such date, notwithstanding that the policy of insurance provides only for the return of premiums paid (with or without any interest thereon) in the event of such person dying before the said stipulated date;

(*ii*) a policy of insurance effected by a person for the benefit of a minor (being the assessee, or a male member of a Hindu undivided family where such family is the assessee) with the object of enabling the minor, after he has attained majority, to secure an insurance on his own life by adopting the policy and on his being alive on a date (after such adoption) specified in the policy in this behalf;";

(c) after section 80D, the following sub-heading and section shall be inserted, namely:—

"B.—Other deductions

Deduction in respect of profits and gains from specified industries in the case of certain companies.

80E. (*1*) In the case of a company to which this section applies, where the total income (as computed in accordance with the other provisions of this Act) includes any profits and gains attributable to the business of generation or distribution of electricity or any other form of power or of construction, manufacture or production of any one or more of the articles or things specified in the list in the Fifth Schedule, there shall be allowed a deduction from such profits and gains of an amount equal to eight per cent. thereof, in computing the total income of the company.

(*2*) This section applies to—

(*a*) an Indian company; or

(*b*) any other company which has made the prescribed arrangements for the declaration and payment of dividends (including dividends on preference shares) within India,

but does not apply to any Indian company referred to in clause (*a*), or to any other company referred to in clause (*b*), if such Indian or other company is a company referred to in section 108 and its total income as computed before applying the provisions of sub-section (*1*) does not exceed twenty-five thousand rupees.".

16. In section 85A of the Income-tax Act,—

Amendment of section 85A.

(*a*) in the proviso,—

(*i*) the words "wholly or" shall be omitted;

(*ii*) for the words, figures and brackets "the list in paragraph 2 of the Third Schedule to the Companies (Profits) Surtax Act, 1964", the words "the list in the Fifth Schedule" shall be substituted;

7 of 1964.

(*b*) in the *Explanation*, for the words, figures and brackets "the list in paragraph 2 of the Third Schedule to the Companies (Profits) Surtax Act, 1964", the words "the list in the Fifth Schedule" shall be substituted.

7 of 1964.

17. After section 85A of the Income-tax Act, the following sections shall be inserted, namely:—

Insertion of new sections 85B and

Deduction of tax on dividends received from certain foreign companies.

"85B. Where shares in a company which is neither an Indian company nor a company which has made the prescribed arrangements for the declaration and payment of dividends within India (hereafter, in this section, referred to as the foreign company) have been allotted to an assessee, being an Indian company, in consideration of any patent, invention, model, design, secret formula or process, or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided or agreed to be made available or provided to the foreign company by the assessee, or in consideration of technical services rendered or agreed to be rendered to the foreign company by the assessee, under an agreement approved by the Central Government in this behalf before the 1st day of October of the relevant assessment year, and any income by way of dividend on such shares is included in the total income of the assessee, the assessee shall be entitled to a deduction from the income-tax with which it is chargeable on its total income for the assessment year of so much of the amount of income-tax calculated at the average rate of income-tax on the income by way of dividend so included as exceeds the amount of twenty-five per cent. thereof.

Deduction of tax on royalties, etc., received from certain foreign companies.

85C. Where the total income of an assessee, being an Indian company, includes any income by way of royalty, commission, fees or any similar payment received by it from a company which is neither an Indian company nor a company which has made the prescribed arrangements for the declaration and payment of dividends within India (hereinafter, in this section, referred to as the foreign company) in consideration for the use of any patent, invention, model, design, secret formula or process, or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided or agreed to be made available or provided to the foreign company by the assessee, or in consideration of technical services rendered or agreed to be rendered to the foreign company by the assessee, under an agreement approved by the Central Government in this behalf before the 1st day of October of the relevant assessment year, the assessee shall be entitled to a deduction from the income-tax with which it is chargeable on its total income for the assessment year of so much of the amount of income-tax calculated at the average rate of income-tax on the income so included as exceeds the amount of

Amendment of section 86A.

18. In section 86A of the Income-tax Act, for the words "twenty-five", the words "twenty-seven and a half" shall be substituted.

Amendment of section 88.

19. In section 88 of the Income-tax Act, in clause (*a*) of sub-section (*1*), for the words "twenty-five", the words "twenty-seven and a half" shall be substituted.

Amendment of section 104.

20. In section 104 of the Income-tax Act,—

(*a*) in sub-section (*1*),—

(*i*) for the words, brackets and figure—

"on the distributable income as reduced by—

(*i*) the amount of dividends actually distributed, and", the words "on the distributable income as reduced by the amount of dividends actually distributed, if any." shall be substituted;

(*ii*) clause (*ii*) shall be omitted;

(*b*) in sub-section (*4*),—

(*i*) in clause (*a*), for the words "wholly or mainly", the words "mainly in the construction of ships or" shall be substituted;

(*ii*) after clause (*b*), the following clause shall be, and shall be deemed always to have been, inserted, namely:—

"(c) a company which is neither an Indian company nor a company which has made the prescribed arrangements for the declaration and payment of dividends within India.";

(*iii*) in the *Explanation*, after the words "consist mainly in", the words "the construction of ships or in" shall be inserted.

Amendment of section 109

21. In section 109 of the Income-tax Act,—

(*a*) in clause (*i*), after sub-clause (*f*), the following sub-clauses shall be inserted, namely:—

'(*g*) any expenditure actually incurred for the purposes of the business, but not deducted in computing the income chargeable under the head "Profits and gains of business or profession" being—

(*1*) a bonus or gratuity paid to an employee,

(*2*) legal charges,

(*3*) any such expenditure as is referred to in clause (*c*) of section 40;

(*4*) any expenditure claimed as a revenue expenditure but not allowed to be deducted as such and not resulting in the creation of an asset or enhancement in the value of an existing asset;

(*h*) any expenditure wholly and exclusively incurred for the purpose of making or earning any income (other than income chargeable under the head "Profits and gains of business or profession") included in the total income but not allowed to be deducted in computing such income and not resulting in the creation of an asset or enhancement in the value of an existing asset;';

(*b*) for clause (*ii*), the following clause shall be substituted, namely:—

'(*ii*) "investment company" means a company whose total income consists mainly of income which, if it had been the income of an individual, would have been regarded as unearned income.

Explanation.—In this clause, the expression "unearned income" has the meaning assigned to it in the Finance Act of the relevant year;';

(*c*) in clause (*iia*), the words "wholly or" shall be omitted;

(*d*) in clause (*iii*),—

(*i*) in sub-clause (*1*), after the words "an investment company", the words "other than an investment company which falls under sub-clause (*3*) of this clause" shall be inserted;

(*ii*) for sub-clause (*3*), the following sub-clause shall be substituted, namely:—

"(*3*) in the case of an Indian company [not being an Indian company which falls under the provisions of clause (*a*) of sub-section (*4*) of section 104], a part only of whose

total income consists of profits and gains attributable to the business of construction of ships or of manufacture or processing of goods or of mining or of generation or distribution of electricity or any other form of power—

(*a*) in relation to the profits and gains attributable to such business	*Nil*:
(*b*) in relation to the remaining part of its total income—	
(*1*) if it is an investment company or a company which satisfies the conditions specified in sub-clause (*4*) (*a*) of this clause	90%;
(*2*) in any other case	60%

Explanation.—The provisions of this Chapter shall, in relation to the remaining part of the total income aforesaid, apply as if such part were the total income of the company; and, for the purposes of section 104, the amount of dividends actually distributed shall be deemed to be such proportion thereof as the part aforesaid bears to the total income of the company:"

Amendment of section 112A

22. In section 112A of the Income-tax Act, the existing *Explanation* shall be re-numbered as *Explanation 1* and after *Explanation 1* as so re-numbered, the following *Explanation* shall be inserted, namely:—

'*Explanation 2.*—For the purposes of this section and sections 112, 114 and 193, "National Savings Certificates (First Issue)" includes "National Savings Certificates (First Issue)—Bank Series"

Amendment of section 114

23. In section 114 of the Income-tax Act, in sub-clause (*ii*) of clause (*b*), the third proviso shall be omitted.

Amendment of section 115

24. In section 115 of the Income-tax Act,—

(*a*) clause (*i*) shall be omitted;

(*b*) in sub-clause (*b*) of clause (*ii*), the brackets, words and figure "[excluding capital gains, if any, referred to in clause (*i*)]" shall be omitted;

(*c*) in clause (*iii*), for the words, brackets and figures "in clauses (*i*) and (*ii*)", the words, brackets and figures "in clause (*ii*)" shall be substituted.

Amendment of section 193.

25. In section 193 of the Income-tax Act, in the proviso, after clause (*iii*), the following clause shall be inserted, namely:—

"(*iv*) any interest payable on any other security of the Central or State Government, where the security is held by an individual, not being a non-resident, and the holder thereof makes a declaration in writing before the person responsible for paying the interest that—

(*a*) he has not previously been assessed under this Act or under the Indian Income-tax Act, 1922; 11 of 1922

(*b*) his total income of the previous year in which the interest is due is not likely to exceed the maximum amount not chargeable to tax; and

(*c*) the total nominal value of the securities held by him (including such securities, if any, as are held on his behalf by any other person) did not exceed two thousand five hundred rupees at any time during the said previous year.".

Amendment of section 201.

26. In section 201 of the Income-tax Act,—

(*a*) in sub-section (*1*), in the proviso, for the word "wilfully", the words "without good and sufficient reasons" shall be substituted;

(*b*) after sub-section (*1*), the following sub-section shall be inserted, namely:—

"(*1A*) Without prejudice to the provisions of sub-section (*1*), if any such person, principal officer or company as is referred to in that sub-section does not deduct or after deducting fails to pay the tax as required by or under this Act, he or it shall be liable to pay simple interest at six per cent. per annum on the amount of such tax from the date on which such tax was deductible to the date on which such tax is actually paid.";

(*c*) in sub-section (*2*), for the words "it shall be a charge", the words, brackets, figure and letter "the amount of the tax together with the amount of simple interest thereon referred to in sub-section (*1A*) shall be a charge" shall be substituted.

Amendment of section 235.

27. In section 235 of the Income-tax Act, in sub-clauses (*i*) and (*ii*) of clause (*b*), for the words "twenty-five", the words "twenty-seven and a half" shall be substituted.

28. In section 236A of the Income-tax Act,— Amendment of section 236A.

(*a*) in sub-section (*1*), for the words, figures and letters "the 1st day of April, 1964", the words, figures and letters "the 1st day of April, 1966" shall be substituted;

(*b*) for sub-section (*2*), the following sub-section shall be substituted, namely:—

"(*2*) The amount to be given as credit under sub-section (*1*) shall be a sum which bears to the amount of the tax payable by the company under the provisions of the annual Finance Act with reference to the relevant amount of distributions of dividends by it the same proportion as the amount of the dividends (other than dividends on preference shares) received by the institution or fund from the company bears to the total amount of dividends (other than dividends on preference shares) declared or distributed by the company during the previous year.

Explanation.—In sub-section (*2*) of this section and in section 280ZB, the expression "the relevant amount of distributions of dividends" has the meaning assigned to it in the Finance Act of the relevant year.".

29. In section 280C of the Income-tax Act, for sub-section (*2*), the following sub-section shall be substituted, namely:— Amendment of section 280C.

"(*2*) In respect of the adjusted total income in relation to which an annuity deposit is to be made under sub-section (*1*), such deposit shall—

(*i*) in respect of the adjusted total income of the previous year or previous years relevant to the assessment year commencing on the 1st day of April, 1966, or any earlier assessment year, be made in advance in accordance with the provisions of sections 280E to 280I;

(*ii*) in respect of the adjusted total income of the previous year or previous years relevant to the assessment year commencing on the 1st day of April, 1967, or any subsequent assessment year, be made by such person at any time (in one sum or in instalments of his choice) during the financial year immediately preceding such assessment year at the rate or rates specified in this behalf in the annual Finance Act:

Provided that the Income-tax Officer may, in such cases,

may be specified in a scheme framed under section 280W, allow a depositor to make a deposit or a further deposit at any time after the expiry of the financial year referred to in clause (*ii*), and any deposit or further deposit so made shall be deemed to be an annuity deposit for the relevant assessment year for the purposes of this Chapter.".

Substitution of new sections for sections 280O and 280P.

30. For sections 280O and 280P of the Income-tax Act, the following sections shall be substituted, namely:—

Annuity deposit allowed as deduction in computing total income.

'280O. (*1*) Notwithstanding anything to the contrary contained in the provisions of this Act relating to the computation of income chargeable under any head of income, the annuity deposit required to be made under this Chapter shall, subject to the provisions of sub-section (*2*), be allowed as a deduction in computing the total income assessable for the assessment year in respect of which the annuity deposit is required to be made:

Provided that where in relation to the assessment year commencing on the 1st day of April, 1967 or any subsequent assessment year, no annuity deposit has been made during the financial year immediately preceding such assessment year[or such further period as may be allowed by the Income-tax Officer under the proviso to clause (*ii*) of sub-section (*2*) of section 280C], or the amount of annuity deposit made during the financial year or further period aforesaid falls short of the annuity deposit required to be made under this Chapter, the amount to be allowed as a deduction under this sub-section shall be *nil* or, as the case may be, limited to the amount of the deposit so made, and the provisions of this section shall have effect as if references therein to the annuity deposit required to be made were references to the amount of annuity deposit actually so made.

(*2*) If the adjusted total income of the depositor includes any income chargeable under the head "Salaries", the allowance under sub-section (*1*) shall be made in computing the income under that head, and if there is no income chargeable under that head or the annuity deposit required to be made exceeds such income, the whole or the balance of the annuity deposit required to be made shall be allowed as a deduction in computing earned income chargeable under any other head, and if there is no earned income chargeable under any other head or the whole or the balance of the annuity deposit required to be

of the annuity deposit required to be made shall be allowed as a deduction in computing any other income under any head.

Explanation.—In this sub-section, the expression "earned income" has the meaning assigned to it in the Finance Act of the relevant year.

Annuity deposit deductible in computing income under the head "Salaries" for purposes of section 192.

280P. Any person responsible for paying any income chargeable under the head "Salaries" to a resident may, at the time of payment, deduct income-tax under section 192 as if the estimated income referred to in sub-section (*1*) of that section had been reduced by the amount of annuity deposit, if any, required to be made by the assessee in respect of such income, whether such annuity deposit has or has not been made:

Provided that nothing contained in this section shall apply in the case of a person whose estimated income aforesaid does not exceed twenty-five thousand rupees unless such person has, not later than the 31st day of December of the financial year, made a declaration, in writing, before the person responsible for paying the income chargeable under the head "Salaries", of his intention to make the annuity deposit under the provisions of this Chapter and specifying the amount which he so intends to deposit; and where such declaration has been made, the provisions of this section shall apply as if the reference therein to the amount of annuity deposit required to be made were a reference to the amount specified in such declaration.'.

Substitution of new section for section 280X.

31. For section 280X of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1967, namely:—

Liability to pay additional income-tax in certain cases.

'280X. (*1*) Where in relation to the assessment year commencing on the 1st day of April, 1967 or any subsequent assessment year, a depositor does not make any annuity deposit during the financial year immediately preceding such assessment year or such further period as may be allowed by the Income-tax Officer under the proviso to clause (*ii*) of sub-section (*2*) of section 280C, or the amount of annuity deposit made by him during the financial year or further period aforesaid falls short of the annuity deposit required to be made (which short-fall is hereafter, in this section, referred to as deficiency), he shall, in addition to the income-tax payable by him for that assessment year, be liable to a further amount of income-tax calculated in manner specified in sub-section (*2*):

Provided that nothing contained in this section shall apply in a case where—

(*a*) such depositor is more than seventy years of age on the last day of the previous year relevant to the assessment year; or

(*b*) the total income of such depositor of the previous year relevant to the assessment year (the total income for this purpose being computed without making any allowance under section 280O) does not exceed twenty-five thousand rupees.

(*2*) The further amount of income-tax referred to in sub-section (*1*) shall be—

(*i*) in a case where the depositor does not make any annuity deposit, a sum equal to fifty per cent. of the amount by which the amount of annuity deposit required to be made in respect of that assessment year exceeds the difference between—

(*a*) the tax payable by him on his total income, and

(*b*) the tax that would have been payable had his total income been reduced by the amount of annuity deposit required to be made;

(*ii*) in a case where the amount of annuity deposit made by him falls short of the annuity deposit required to be made, a sum equal to fifty per cent. of the amount by which the amount of the deficiency exceeds the difference between—

(*a*) the tax payable by him on his total income, and

(*b*) the tax that would have been payable had his total income been reduced by the amount of the deficiency.

Explanation.—In this section, the expression "annuity deposit required to be made" shall mean—

(*i*) the amount of annuity deposit calculated on the adjusted total income of the depositor at the rate or rates specified in the Finance Act of the relevant year, or

(*ii*) the amount by which the total income of the depositor for the relevant assessment year (such total income being computed without making any allowance under section 280O) exceeds twenty-five thousand rupees,

32. The amendments directed in the Third Schedule shall be made in the Income-tax Act. Consequential or minor amendments relating to annuity deposits in the Income-tax Act.

33. In section 280ZB of the Income-tax Act, in *Explanation 2*, for the sentence beginning with the words "The amount of income-tax payable by the company" and ending with the words "during the previous year or any previous year prior to that year.", the following shall be substituted, namely:— Amendment of section 280 ZB.

"The amount of income-tax payable by the company for any assessment year shall be computed after making allowance for any relief, rebate or deduction in respect of income-tax to which the company is entitled under the provisions of this Act or the annual Finance Act and after deducting from such amount of income-tax—

(*a*) the amount of additional income-tax, if any, payable by the company under the provisions of section 104; and

(*b*) (*i*) in respect of the assessment year commencing on the 1st day of April, 1965, the amount, if any, by which the rebate of income-tax admissible to the company under the provisions of the Finance Act, 1965, is, under the provisions of the said Act, reduced with reference to the face value of any bonus shares or the amount of any bonus issued by the company to its shareholders during the previous year or any previous year prior to that year or with reference to any amount of dividends declared or distributed by it during the previous year or any previous year prior to that year; or

10 of 1965.

(*ii*) in respect of the assessment year commencing on the 1st day of April, 1966, or any subsequent assessment year, the amount of income-tax, if any, payable by the company under the provisions of the annual Finance Act with reference to the relevant amount of distributions of dividends by it.".

34. After section 288 of the Income-tax Act, the following sections shall be inserted, namely:— Insertion of new sections 288A and 288B.

'288A. (*1*) Subject to the provisions of sub-section (*2*), the amount of total income computed in accordance with the foregoing provisions of this Act shall be rounded off to the nearest Rounding off of income.

multiple of ten rupees and for this purpose any part of a rupee consisting of *paise* shall be ignored and thereafter if such amount is not a multiple of ten, then, if the last figure in that amount is five or more, the amount shall be increased to the next higher amount which is a multiple of ten and if the last figure is less than five, the amount shall be reduced to the next lower amount which is a multiple of ten; and the amount so rounded off shall be deemed to be the total income of the assessee for the purposes of this Act.

(2) If the total income of the assessee includes earned income chargeable under any head, the adjustment under sub-section (1) shall, to the extent possible, be made in computing such earned income and, as to the balance, if any, against any other income; and if there is no earned income, the adjustment shall be made in computing any other income under any head.

Explanation.—In this section, the expression "earned income" has the meaning assigned to it in the Finance Act of the relevant year.

Rounding off of tax, etc.

288B. The amount of tax (including tax deductible at source or payable in advance), interest, penalty, fine or any other sum payable, and the amount of refund due, under the provisions of this Act shall be rounded off to the nearest rupee and, for this purpose, where such amount contains a part of a rupee consisting of *paise*, then, if such part is fifty *paise* or more, it shall be increased to one rupee and if such part is less than fifty *paise*, it shall be ignored.'.

Amendment of section 297.

35. In section 297 of the Income-tax Act, in clause (*l*) of sub-section (2), after the word and figures "section 60", the words, figures and letter "or section 60A" shall be, and shall be deemed always to have been, inserted.

Amendment of First Schedule.

36. In the First Schedule to the Income-tax Act, in rule 3, in clause (*c*), for the words "twenty-five", the words "twenty-seven and a half" shall be substituted.

Amendment of Fifth Schedule.

37. (*1*) In the Fifth Schedule to the Income-tax Act,—

(*a*) for the brackets, words, figures and letter "[*See* section 33(*1*) (*iii*) (*c*)]", the following shall be substituted, namely:—

"[*See* sections 33(*1*) (*iii*) (*c*), 80E and 85A]";

(*b*) in item (*16*), after the word "pulp", the words "including newsprint" shall be inserted;

(*c*) after item (*25*), the following items shall be inserted, namely:—

"(*26*) Tea.

(*27*) Printing machinery.".

(*2*) For the purposes of sub-section (*1*) of section 33 of the said Act, the amendments made by clauses (*b*) and (*c*) shall have effect in respect of machinery or plant installed after the 31st day of March, 1966.

CHAPTER IV

OTHER DIRECT TAXES

Amendment of Act 34 of 1953.

38. In the Estate Duty Act, 1953,—

(*a*) in section 9, in sub-section (*1*), for the words "one year" the words "two years" shall be substituted;

(*b*) in section 10, in the proviso, for the words "one year", the words "two years" shall be substituted;

(*c*) in section 11, in sub-section (2), for the words "one year", wherever they occur, the words "two years" shall be substituted;

(*d*) in section 12, in the proviso to sub-section (*1*), for the words "one year", the words "two years" shall be substituted;

(*e*) in section 22, for the words "one year", the words "two years" shall be substituted;

(*f*) in section 33, in sub-section (*1*),—

(*i*) in clause (*b*), for the words "one year" the words "two years" shall be substituted;

(*ii*) after clause (*m*), the following clause shall be, and shall be deemed to have been, inserted with effect from the 1st day of April, 1965, namely:—

"(*mm*) property belonging to the deceased who was a member of any police force (including a border security force) and was killed in any action in protecting the border;";

(*g*) in section 34, in clause (*a*) of sub-section (*1*), after the brackets and letter "(*m*)" the brackets and letters "(*mm*)" shall be, and shall be deemed to have been, inserted with effect from the 1st day of April, 1965;

(*h*) in section 46, in sub-section (*2*), for the words "one year", the words "two years" shall be substituted:

(*i*) in the Second Schedule, for Part I, the following Part shall be substituted, namely:—

"PART I

In the case of any property which passes or is deemed to pass on the death of the deceased—

(1) where the principal value of the estate does not exceed Rs. 50,000	*Nil;*
(2) where the principal value of the estate exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	4 per cent. of the amount by which the principal value of the estate exceeds Rs. 50,000;
(3) where the principal value of the estate exceeds Rs. 1,00,000 but does not exceed Rs. 2,00,000	Rs. 2,000 *plus* 10 per cent. of the amount by which the principal value of the estate exceeds Rs. 1,00,000;
(4) where the principal value of the estate exceeds Rs. 2,00,000 but does not exceed Rs. 3,50,000	Rs. 12,000 *plus* 15 per cent. of the amount by which the principal value of the estate exceeds Rs. 2,00,000;
(5) where the principal value of the estate exceeds Rs. 3,50,000 but does not exceed Rs. 5,00,000	Rs. 34,500 *plus* 25 per cent. of the amount by which the principal value of the estate exceeds Rs. 3,50,000;
(6) where the principal value of the estate exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000	Rs. 72,000 *plus* 30 per cent. of the amount by which the principal value of the estate exceeds Rs. 5,00,000;
(7) where the principal value of the estate exceeds Rs. 10,00,000 but does not exceed Rs. 15,00,000	Rs. 2,22,000 *plus* 40 per cent. of the amount by which the principal value of the estate exceeds Rs. 10,00,000;
(8) where the principal value of the estate exceeds Rs. 15,00,000 but does not exceed Rs. 20,00,000	Rs. 4,22,000 *plus* 50 per cent. of the amount by which the principal value of the estate exceeds Rs. 15,00,000;
(9) where the principal value of the estate exceeds Rs. 20,00,000	Rs. 6,72,000 *plus* 85 per cent. of the amount by which the principal value of the estate exceeds Rs. 20,00,000.".

Transitional provisions.

39. In the case of persons dying on or after the 1st day of April, 1966, but before the 1st day of April, 1967, sections 9, 10, 11, 12, 22, 33 and 46 of the Estate Duty Act, 1953, as amended, respectively, by clauses (*a*), (*b*), (*c*), (*d*) and (*e*), sub-clause (*i*) of clause (*f*) and clause (*h*) of section 38, shall have effect as if references therein to the two years before the death of the deceased were references to the said two years less so much thereof as fell before the 1st day of April, 1965. 34 of 1953.

Repeal of Act 29 of 1957.

40. The Expenditure-tax Act, 1957 is hereby repealed.

Amendment of Act 18 of 1958.

41. In the Gift-tax Act, 1958,—

(*a*) in section 5,—

(*i*) in sub-section (*1*), after clause (*ii*), the following clause shall be inserted, namely:—

'(*iia*) being an individual who is not resident in India, to any person resident in India, of foreign currency or other foreign exchange [as defined, respectively

7 of 1947.

in clause (*c*) and clause (*d*) of section 2 of the Foreign Exchange Regulation Act, 1947] remitted from a country outside India in accordance with the provisions of the said Act, and any rules made thereunder, during the period commencing on the 26th day of October, 1965 and ending on the 28th day of February, 1966, or such later date as the Central Government may, by notification in the Official Gazette, specify in this behalf.

Explanation.—For the purposes of this clause, the expression "resident in India" shall have the meaning assigned to it in the Income-tax Act;';

(*ii*) in sub-section (2), for the words "five thousand", the words "ten thousand" shall be substituted;

(*b*) section 6A shall be omitted;

(*c*) for the Schedule, the following Schedule shall be substituted, namely:—

"THE SCHEDULE

[*See* section 3]

RATES OF GIFT-TAX

(1) Where the value of all taxable gifts does not exceed Rs. 15,000	5 per cent. of the value of such gifts.
(2) Where the value of all taxable gifts exceeds Rs. 15,000 but does not exceed Rs. 40,000	Rs. 750 *plus* 8 per cent. of the amount by which the value of such gifts exceeds Rs. 15,000.
(3) Where the value of all taxable gifts exceeds Rs. 40,000 but does not exceed Rs. 90,000	Rs. 2,750 *plus* 10 per cent. of the amount by which the value of such gifts exceeds Rs. 40,000.
(4) Where the value of all taxable gifts exceeds Rs. 90,000 but does not exceed Rs. 1,40,000	Rs. 7,750 *plus* 15 per cent. of the amount by which the value of such gifts exceeds Rs. 90,000.
(5) Where the value of all taxable gifts exceeds Rs. 1,40,000 but does not exceed Rs. 1,90,000	Rs. 15,250 *plus* 17·5 per cent. of the amount by which the value of such gifts exceeds Rs. 1,40,000.
(6) Where the value of all taxable gifts exceeds Rs. 1,90,000 but does not exceed Rs. 3,40,000.	Rs. 24,000 *plus* 20 per cent. of the amount by which the value of such gifts exceeds Rs. 1,90,000.
(7) Where the value of all taxable gifts exceeds Rs. 3,40,000 but does not exceed Rs. 4,90,000.	Rs. 54,000 *plus* 25 per cent. of the amount by which the value of such gifts exceeds Rs 3,40,000.
(8) Where the value of all taxable gift exceeds Rs. 4,90,000 but does not exceed Rs. 9,90,000	Rs. 91,500 *plus* 30 per cent. of the amount by which the value of such gifts exceeds Rs. 4,90,000.
(9) Where the value of all taxable gifts exceeds Rs. 9,90,000 but does not exceed Rs. 14,90,000	Rs. 2,41,500 *plus* 40 per cent of the amount by which the value of such gifts exceeds Rs. 9,90,000
(10) Where the value of all taxable gifts exceeds Rs. 14, 90, 000.	Rs. 4,41,500 *plus* 50 per cent. of the amount by which the value of such gifts exceeds

Repeal of Act 14 of 1963.

42. The Super Profits Tax Act, 1963 is hereby repealed.

Amendment of Act 7 of 1964.

43. In the Companies (Profits) Surtax Act, 1964,—

(*a*) in the First Schedule, in clause (*i*) of rule 2,—

(*i*) for sub-clause (*b*), the following sub-clause shall be substituted, namely:—

'(*b*) the amount of income-tax, if any, payable by the company under the provisions of the annual Finance Act with reference to the relevant amount of distributions of dividends by it.

Explanation.—In this sub-clause, the expression "the relevant amount of distributions of dividends" has the meaning assigned to it in the Finance Act of the relevant year;';

(*ii*) after sub-clause (*b*), the following sub-clause shall be, and shall be deemed always to have been, inserted, namely:—

'(*c*) the amount of income-tax, if any, payable by the company under section 104 of the Income-tax Act.

Explanation.—In relation to the assessment year commencing on the 1st day of April, 1964, the reference in this sub-clause to "income-tax" shall be construed as a reference to "super-tax";';

(*b*) in the Third Schedule,—

(*i*) in Paragraph 1,—

(*1*) for the figures and words "40 per cent.", the figures and words "35 per cent." shall be substituted;

(*2*) the first and second provisos shall be omitted,

(*3*) in the third proviso,—

(*A*) for the words "Provided further", the word "Provided" shall be substituted:

(*B*) in clause (*a*), the words "after deducting from such amount of income-tax the amount, if any, by which the rebate of income-tax admissible to the company under the provisions of the annual Finance Act is, under the provisions of the said Act, reduced with reference to the face value of any bonus shares or of

to its shareholders during the previous year or any previous year prior to that year" shall be omitted;

(*ii*) Paragraph 2 shall be omitted.

CHAPTER V

INDIRECT TAXES

Special duties of customs.

44. (*1*) In the case of goods chargeable with a duty of customs which is specified in the First Schedule to the Indian Tariff Act, 32 of 1934. 1934 (hereinafter referred to as the Tariff Act), or in that Schedule as amended by a subsequent Central Act, if any, or in that Schedule read with any notification of the Central Government for the time being in force, there shall be levied and collected as an addition to, and in the same manner as, the total amount so chargeable, a special duty of customs equal to 10 per cent. of such amount:

Provided that in computing the total amount so chargeable, any duty chargeable under section 2A of the Tariff Act or section 45 of this Act shall not be included.

(*2*) Sub-section (*1*) shall cease to have effect after the 31st day of May, 1967 except as respects things done or omitted to be done 10 of 1897 before such cesser; and section 6 of the General Clauses Act, 1897 shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

Regulatory duties of customs.

45. (*1*) With a view to regulating or bringing greater economy in imports, there shall be levied and collected, with effect from such date, and at such rate, as may be specified in this behalf by the Central Government by notification in the Official Gazette, on all or any of the goods mentioned in the First Schedule to the Tariff Act or in that Schedule as amended by a subsequent Central Act, if any, a regulatory duty of customs not exceeding—

(*a*) 25 per cent. of the rate, if any, specified in the said First Schedule read with any notification issued under section 3A or sub-section (*1*) of section 4 of the Tariff Act; or

(*b*) 10 per cent. of the value of the goods as determined in accordance with the provisions of section 14 of the Customs Act, 52 of 1962. 1962,

whichever is higher:

Provided that different dates and different rates may be specified by the Central Government for different kinds of goods.

(*2*) Sub-section (*1*) shall cease to have effect after the 15th day

to be

before such cesser; and section 6 of the General Clauses Act, 1897 10 of 1897.
shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

(3) The regulatory duty of customs leviable under this section in respect of any goods referred to in sub-section (1) shall be in addition to any other duty of customs chargeable on such goods under the Customs Act, 1962. 52 of 1962.

(4) The provisions of the Customs Act, 1962 and the rules and regulations made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the regulatory duty of customs leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of customs on such goods under that Act or those rules and regulations. 52 of 1962.

(5) Every notification issued under sub-section (1) shall, as soon as may be after it is issued, be placed before each House of Parliament.

Amendment of Act 1 of 1949.

46. In the Indian Tariff (Amendment) Act, 1949, in sections 4 and 5, for the figures "1966", the figures "1967" shall be substituted.

Amendment of Act I of 1944.

47. In the Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act), in the First Schedule,—

(*a*) in Item No. 1, for the entries in the third column against sub-items (*1*) and (*2*), the entries "Thirty rupees and fifty paise per quintal." and "Fifteen rupees per quintal." shall, respectively, be substituted;

(*b*) in Item No. 4,—

(*1*) under *"I. Unmanufactured tobacco—"*, for the entries in the third column against sub-items (*1*), (*2*) and (*4*), the entries "Three rupees and twenty paise.", "Twenty-five rupees." and "Two rupees and sixty paise." shall, respectively, be substituted;

(*2*) under *"II. Manufactured tobacco—"*, for the entries in the third column against sub-items (1) (*i*), (1) (*ii*), (1) (*iii*) and (1) (*iv*), the entries "Twenty rupees.", "Twelve rupees.", "Four rupees." and "One rupee." shall, respectively, be substituted;

(*c*) in Item No. 9, for the entry in the third column, the entry "One hundred and ninety-five rupees per metric tonne."

(*d*) after Item No. 14D, the following Item shall be inserted, namely:—

"14DD.	SYNTHETIC ORGANIC PRODUCTS OF A KIND USED AS ORGANIC LUMINOPHORES; PRODUCTS OF THE KIND KNOWN AS OPTICAL BLEACHING AGENTS, SUBSTANTIVE TO THE FIBRE.	Fifteen per cent. *ad valorem*.";

(*e*) in Item No. 14H, for the entry in the third column against sub-item (*iv*), the entry "One rupee per kilogram." shall be substituted;

(*f*) after Item No. 15A, the following Item shall be inserted, namely:—

"15AA.	ORGANIC SURFACE-ACTIVE AGENTS (OTHER THAN SOAP); SURFACE-ACTIVE PREPARATIONS AND WASHING PREPARATIONS, WHETHER OR NOT CONTAINING SOAP.	Ten per cent. *ad valorem*.";

(*g*) in Item No. 18, for the entry in the third column, the entry "Twelve rupees per kilogram." shall be substituted;

(*h*) in Item No. 18A, for the entries in the third column against sub-items (1) and (2), the entries "One rupee and fifty paise per kilogram." and "Sixty paise per kilogram." shall, respectively, be substituted;

(*i*) in Item No. 19,—

(*1*) for the entry in the third column against each of the sub-items (1), (2) and (5), the entry "Eighty paise per square metre." shall be substituted;

(2) for the entry in the third column against each of the sub-items (3) and (4), the entry "Sixty paise per square metre." shall be substituted;

(*j*) in Item No. 26AA,—

(*1*) the word "flats" occurring in the entry in the second column against sub-item (*ia*) shall be omitted;

(2) for the words "Skelp and strips" occurring in the entry in the second column against sub-item (*iii*), the words "Flats, skelp and strips." shall be substituted;

(3) for the entry in the third column against sub-item (iv), the entry "Fifteen per cent. *ad valorem* plus the excise duty for the time being leviable on pig iron or steel ingots, as the case may be." shall be substituted;

(k) in Item No. 33B,—

(1) for the entry in the second column against sub-item (i), the following entry shall be substituted, namely:—

"Insulated wires and cables of copper, aluminium or other metals and alloys, whether sheathed or unsheathed, the conductor of any core of which, not being one specially designed as a pilot core, has a sectional area not exceeding 1·5 square millimetres in the case of copper, or not exceeding 2·5 square millimetres in the case of aluminium or of not more than equivalent conductivity as of copper in the case of other metals and alloys.";

(2) the following *Explanation* shall be inserted at the end, namely:—

'*Explanation.*—The expression "Electric wires and cables, all sorts" used in this Item shall not include square or rectangular conductors, whether insulated or not.'.

Special duties of excise on certain goods.

48. (1) When goods of the description mentioned in this section chargeable with a duty of excise under the Central Excises Act (as amended by this Act or any subsequent Central Act) read with any notification for the time being in force issued by the Central Government in relation to the duty so chargeable, are assessed to duty, there shall be levied and collected—

(a) as respects goods comprised in Items Nos. 6, 8, 9, 14D, 22A, 23A except sub-item (1) thereof, 23B, 28, 29, sub-items (2) and (3) of Item No. 31 and Item No. 32 of the First Schedule to the Central Excises Act, a special duty of excise equal to 10 per cent. of the total amount so chargeable on such goods;

(b) as respects goods comprised in Items Nos. 2, 3(1), sub-items I, II(2) and II(3) of Item No. 4, Items Nos. 13, 14, 14F, 15, 15A, 15B, 16, 16A, 17, 18A(2), 21, 22, 23, 23A(1), 27, 30, 31(1), 33, sub-items (1), (3a) and (4) of Item No. 34 and Item No. 37 of that Schedule, a special duty of excise equal to 20 per cent. of the total amount so chargeable on such goods; and

(c) as respects goods comprised in Items Nos. 4 II(1), 18, 18A(1), 18B, 20, 29A, 33A, sub-items (2) and (3) of Item No. 34

and radiograms comprised in Item No. 37A of that Schedule, a special duty of excise equal to 33⅓ per cent. of the total amount so chargeable on such goods.

(2) Sub-section (1) shall cease to have effect after the 31st day of May, 1967, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897 shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

10 of 1897.

(3) The duties of excise referred to in sub-section (1) in respect of the goods specified therein shall be in addition to the duties of excise chargeable on such goods under the Central Excises Act or any other law for the time being in force and such special duties shall be levied for purposes of the Union and the proceeds thereof shall not be distributed among the States.

(4) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules.

Regulatory duties of excise.

49. (1) With a view to regulating or bringing greater economy in consumption, there shall be levied and collected, with effect from such date, and at such rate, as may be specified in this behalf by the Central Government by notification in the Official Gazette, on all or any of the goods mentioned in the First Schedule to the Central Excises Act as amended by this Act or any subsequent Central Act, a regulatory duty of excise which shall not exceed 15 per cent. of the value of the goods as determined in accordance with the provisions of section 4 of the Central Excises Act:

Provided that different dates and different rates may be specified by the Central Government for different kinds of goods.

(2) Sub-section (1) shall cease to have effect after the 15th day of July, 1967, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897 shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

10 of 1897.

(3) The duties of excise referred to in sub-section (1) in respect of the goods specified therein shall be in addition to the duties of excise chargeable on such goods under the Central Excises Act or

shall be levied for purposes of the Union and the proceeds thereof shall not be distributed among the States.

(4) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the regulatory duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules.

(5) Every notification issued under sub-section (1) shall, as soon as may be after it is issued, be placed before each House of Parliament.

Discontinuance of salt duty.

50. For the year beginning on the 1st day of April, 1966, no duty under the Central Excises Act, or the Tariff Act shall be levied in respect of salt manufactured in, or imported into, India.

CHAPTER VI

MISCELLANEOUS

Amendment of Act 74 of 1956.

51. (1) In the Central Sales Tax Act, 1956,—

(a) in section 8, in sub-section (1) and in sub-section (2A), for the words "two per cent.", wherever they occur, the words "three per cent." shall be substituted;

(b) in section 15, in clause (a), for the words "two per cent.", the words "three per cent." shall be substituted.

(2) The amendments by sub-section (1) made in the Central Sales Tax Act, 1956 shall take effect on and from the 1st day of July, 1966.

Amendment of Act 63 of 1960.

52. In section 4A of the Preference Shares (Regulation of Dividends) Act, 1960, for the words "such deduction shall in no case exceed twenty-five per cent. of the stipulated dividend.", the following words, figures, letters and brackets shall be substituted, namely:—

"such deduction made by the company from any dividend declared after the 28th day of February, 1966 shall in no case exceed twenty-seven and a half per cent. of the aggregate of—

(i) the stipulated dividend, and

(ii) an amount equal to eleven per cent. of the stipulated

53. In section 32 of the Unit Trust of India Act, 1963— Amendment of Act 52 of 1963.

(*a*) in sub-section (*1*), for clause (*b*) and the *Explanation*, the following clause and *Explanation* shall be substituted, namely:—

(*b*) where in the case of a unit-holder, being an individual, the income in respect of units received by him from the Trust during the previous year does not exceed one thousand rupees, such income, and where such income exceeds one thousand rupees, a sum of one thousand rupees, shall not be included in computing his total income of that year under the Income-tax Act, 1961. 43 of 1961.

Explanation.—In this clause, "previous year" has the same meaning as in the Income-tax Act, 1961;'; 43 of 1961.

(*b*) in sub-section (*2*), for clause (*c*), the following clause shall be substituted, namely:—

"(*c*) where in the case of a unit-holder, being an individual who is not resident in India, the income in respect of units receivable by him from the Trust during the financial year—

(*i*) does not exceed one thousand rupees, no deduction of income-tax shall be made by the Trust from the income distributed to him;

(*ii*) exceeds one thousand rupees, deduction of income-tax shall be made by the Trust from the whole of the income distributed to him at the rate of fifteen per cent. of such income.".

THE FIRST SCHEDULE

(*See* section 2)

PART I

Income-tax and surcharges on income-tax

Paragraph A

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals,

whether incorporated or not, or every artificial juridical person referred to in sub-clause (*vii*) of clause (31) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000	5 per cent. of the total income;
(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000	Rs. 250 *plus* 10 per cent. of the amount by which the total income exceeds Rs. 5,000;
(3) where the total income exceeds Rs 10,000 but does not exceed Rs. 15,000	Rs. 750 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 10,000;
(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,500 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 15,000;
(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,500 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 20,000;
(6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 25,000;
(7) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 6,000 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 30,000;
(8) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000	Rs. 16,000 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 50,000;
(9) where the total income exceeds Rs. 70,000	Rs. 28,000 *plus* 65 per cent. of the amount by which the total income exceeds Rs. 70,000 :

Provided that for the purposes of this Paragraph, in the case of a person, not being a non-resident—

(*i*) no income-tax shall be payable on a total income not exceeding the following limit, namely:—

(*a*) Rs. 7,000 in the case of every Hindu undivided family which as at the end of the previous year satisfies either of the following two conditions, namely:—

(*1*) that it has at least two members entitled to claim partition who are not less than eighteen years o age; or

(2) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family;

(b) Rs. 4,000 in every other case;

(*ii*) where such person is an individual or a Hindu undivided family, the income-tax computed at the rate hereinbefore specified shall be reduced by so much of the amount specified hereunder, as does not exceed the amount of income-tax so computed:—

(a) Rs. 125	in the case of an unmarried individual;
(b) Rs. 200	in the case of a married individual who has no child mainly dependent on him or a Hindu undivided family which has no minor coparcener;
(c) Rs. 220	in the case of a married individual who has one child mainly dependent on him or a Hindu undivided family which has one minor coparcener mainly supported from the income of such family;
(d) Rs. 240	in the case of a married individual who has more than one child mainly dependent on him or a Hindu undivided family which has more than one minor coparcener mainly supported from the income of such family;

(*iii*) where the total income is twenty thousand rupees or less, the income-tax payable shall not exceed forty per cent. of the amount by which the total income exceeds the limit specified in sub-clause (*a*) or, as the case may be, sub-clause (*b*) of clause (*i*) of this proviso.

Surcharges on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified

hereunder:—

(*a*) where—

(*i*) in the case of an individual or a Hindu undivided family, the amount of unearned income, not being income by way of interest on any security of the Central or State Government or income received in respect of units from the Unit Trust of India, established under the Unit Trust of India Act, 1963, included in the total income, or 52 of 1963.

(*ii*) in any other case, the amount of unearned income included in the total income,

exceeds Rs. 15,000,

a surcharge calculated on the difference between the amount of income-tax computed in respect of the income referred to in sub-clause (*i*) or, as the case may be, sub-clause (*ii*), if such income had been the total income and the amount of income-tax computed in respect of an income of Rs. 15,000 if it had been the total income, at the following rate, namely:—

(1) where the amount of the difference does not exceed Rs. 14,500	20 per cent. of the amount of such difference;
(2) where the amount of the difference exceeds Rs. 14,500	Rs. 2,900 *plus* 25 per cent. of the amount by which the difference aforesaid exceeds Rs. 14,500;

(*b*) where—

(*i*) in the case of an individual or a Hindu undivided family, the earned income and income by way of interest on any security of the Central or State Government and income received in respect of units from the Unit Trust of India, established under the Unit Trust of India Act, 1963, included 52 of 1963. in the total income, or

(*ii*) in any other case, the earned income included in the total income,

exceeds Rs. 1 lakh,

a surcharge calculated on the amount of the difference between the income-tax computed in respect of the income referred to in sub-clause (*i*) or, as the case may be, sub-clause (*ii*), if such income had been the total income and the income-tax computed in respect of a total income of Rs. 1 lakh, at the following rate, namely:—

(1) where the amount of the difference does not exceed Rs. 65,000	5 per cent. of the amount of such difference;
(2) where the amount of the difference exceeds Rs. 65,000 but does not exceed Rs. 1,30,000	Rs. 3,250 *plus* 10 per cent. of the amount by which the difference aforesaid exceeds Rs. 65,000;

(3) where the amount of the difference exceeds Rs. 1,30,000	Rs. 9,750 *plus* 15 per cent. of the amount by which the difference aforesaid exceeds Rs. 1,30,000; and

(c) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

(*i*) the amount of income-tax computed in accordance with the preceding provisions of this Paragraph; and

(*ii*) the aggregate of the amounts of the surcharges calculated in accordance with clause (*a*) and clause (*b*) of this sub-paragraph.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000	5 per cent. of the total income;
(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000	Rs. 250 *plus* 10 per cent. of the amount by which the total income exceeds Rs. 5,000;
(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 750 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 10,000;
(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,500 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 15,000;
(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,500 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 20,000;
(6) where the total income exceeds Rs. 25,000	Rs. 3,750 *plus* 41 per cent. of the amount by which the total income exceeds Rs. 25,000:

Provided that—

(*i*) no income-tax shall be payable on a total income not exceeding Rs. 4,000; and

(*ii*) where the total income is twenty thousand rupees or less, the income-tax payable shall not exceed forty per cent. of the amount by which the total income exceeds Rs. 4,000.

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

(*a*) where the total income exceeds Rs. 25,000, a surcharge calculated at the rate of 6¼ per cent. of the amount of the difference between the income-tax computed at the rates hereinbefore specified and the income-tax computed in respect of a total income of Rs. 25,000; and

(*b*) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

(*i*) the amount of income-tax computed at the rate hereinbefore specified; and

(*ii*) the amount of the surcharge calculated in accordance with clause (*a*) of this sub-paragraph.

Paragraph C

In the case of every registered firm,—

Rates of income-tax

(1) where the total income does not exceed Rs. 25,000	*Nil;*
(2) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	6 per cent. of the amount by which the total income exceeds Rs. 25,000;
(3) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 1,500 *plus* 8 per cent. of the amount by which the total income exceeds Rs. 50,000;
(4) where the total income exceeds Rs. 1,00,000	Rs. 5,500 *plus* 12 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

(*a*) in the case of a registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income, a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified;

(*b*) in the case of any other registered firm, a surcharge calculated at the rate of twenty per cent. of the amount of income-tax computed at the rate hereinbefore specified; and

(c) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

(*i*) the amount of income-tax computed at the rate hereinbefore specified; and

(*ii*) the amount of the surcharge calculated in accordance with clause (*a*), or, as the case may be, clause (*b*) of this sub-paragraph.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income 45 per cent.

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

(*a*) a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified; and

(*b*) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

(*i*) the amount of income-tax computed at the rate hereinbefore specified; and

(*ii*) the amount of the surcharge calculated in accordance with clause (*a*) of this sub-paragraph.

Paragraph E

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,— 31 of 1956.

Rates of income-tax

(i) on that part of its total income which consists of profits and gains from life insurance business	52·5 per cent;
(ii) on the balance, if any, of the total income	the rate of income-tax applicable, in accordance with Paragraph F of this Part, to the total income of a domestic company which is a company in which the public are substantially interested.

Paragraph F

In the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,— 31 of 1956.

Rates of income-tax

I. In the case of a domestic company—

(A) (1) where the company is a company in which the public are substantially interested,—	
(i) in a case where the total income does not exceed Rs. 25,000	45 per cent. of the total income.

(ii) in a case where the total income exceeds Rs. 25,000	55 per cent. of the total income;
(2) where the company is not a company in which the public are substantially interested,—	
(i) in the case of an industrial company—	
(1) on so much of the total income as does not exceed Rs. 10,00,000	55 per cent.;
(2) on the balance, if any, of the total income	60 per cent.;
(ii) in any other case	65 per cent. of the total income; and
(B) in addition, where the company is—	
(i) a company in which the public are substantially interested, or	
(ii) a company as is referred to in clause (iii) of sub-section (2) or clause (a) or clause (b) of sub-section (4) of section 104 of the Income-tax Act, or	
(iii) such a company as is exempt from the operation of section 104 of the said Act by a notification issued under the provisions of sub-section (3) of that section,	
on so much of the total income as does not exceed the relevant amount of distributions of dividends by the company	7.5 per cent.:

Provided that the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 25,000, shall not exceed the aggregate of—

(*a*) the income-tax which would have been payable by the company if its total income had been Rs. 25,000 (the income of Rs. 25,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(*b*) 80 per cent. of the amount by which its total income exceeds Rs. 25,000.

Explanation 1.—In clause (B), the expression "the relevant amount of distributions of dividends" means the aggregate of the following amounts, namely:—

(*a*) the amount of dividends, other than dividends on preference shares, declared or distributed by the company during the previous year relevant to the assessment year commencing on the 1st day of April, 1964, or the 1st day of April, 1965, with reference to which the amount of the rebate arrived at under the first proviso to Paragraph D of Part II of the First Schedule to the Finance Act, 1964 or, as the case may be, the first proviso to Paragraph F of Part I of the First Schedule to the Finance Act, 1965 is required to be reduced under the second proviso to the said Paragraph D or, as the case may be, the second proviso to the said Paragraph F, *as diminished* by so much of the amount of dividends aforesaid with reference to which the rebate referred to hereinabove is reduced under the second proviso to the said Paragraph D or the second proviso to the said Paragraph F; and

5 of 1964.

10 of 1965.

(*b*) so much of the amount of the dividends, other than dividends on preference shares, declared or distributed by the company during the previous year as exceeds ten per cent. of its paid-up equity share capital as on the 1st day of the previous year.

Explanation 2.—For the purposes of clause (B), where a part of the income of a company is not included in its total income because it is agricultural income, the amount declared or distributed as dividends (other than dividends on preference shares) shall be deemed to be such proportion thereof as the sum specified in clause (*a*) bears to the sum specified in clause (*b*), such sums being—

(*a*) the average amount of the total income of the company of the five previous years in which it has been in receipt of taxable income immediately preceding the relevant previous year; and

(*b*) the average amount of the total profits and gains (excluding capital receipts) of the company of the five previous years referred to in clause (*a*) reduced by such allowances as may be admissible under the Income-tax Act but which have not been taken into account by the company in its profit and loss accounts for the said five previous years.

Explanation 3.—For the removal of doubts, it is hereby declared that where any dividends were declared by the company before the commencement of the previous year and are distributed by it during

that year, the amount of such dividends shall not be included in the amount of dividends referred to in clause (*b*) of *Explanation 1.*

II. In the case of a company other than a domestic company:—

(i) on so much of the total income as consists of—	
(*a*) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, or	
(*b*) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964,	
and where such agreement has, in either case, been approved by the Central Government	50 per cent;
(ii) on the balance, if any, of the total income	70 per cent.

PART II

Rates for deduction of tax at source in certain cases

In every case in which under the provisions of sections 193 to 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to deduction, at the following rates:—

	Income-tax	
	Rate of income-tax	**Rate of surcharge**
1. In the case of a person other than a company—		
(*a*) where the person is resident, on the whole income (excluding interest payable on a tax free security)	18 per cent.	4 per cent.;
(*b*) where the person is not resident in India—		
(i) on the whole income (excluding interest payable on a tax free security)	income-tax at 25 per cent. and surcharge at 8 per cent. of the amount of the income *or* income-tax and surcharges on income-tax in respect of the income at the rates prescribed in Paragraph A of Part I of this Schedule, if such income had been the total income, whichever is higher;	
(ii) on the income by way of interest payable on a tax free security	12·5 per cent.	4 per cent.

	Income-tax	
	Rate of income-tax	Rate of surcharge
2. In the case of a company—		
(*a*) where the company is a domestic company, on the whole income (excluding interest payable on a tax free security)	22 per cent.	*Nil*
(*b*) where the company is not a domestic company—		
(*i*) on the income by way of dividends payable by an Indian company as is referred to in the proviso to section 85A of the Income-tax Act	15 per cent.	*Nil*
(*ii*) on the income by way of dividends payable by any domestic company other than a company referred to in (*i*) hereinabove	25 per cent.	*Nil*
(*iii*) on the income by way of royalties payable by an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, and which has been approved by the Central Government	50 per cent.	*Nil*
(*iv*) on the income by way of fees payable by an Indian concern for rendering technical services in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964, and which has been approved by the Central Government	50 per cent.	*Nil*
(*v*) on the income by way of interest payable on a tax free security	44 per cent.	*Nil*
(*vi*) on any other income	70 per cent.	*Nil*

THE SECOND SCHEDULE

(*See* section 3)

Rates of annuity deposits

(*i*) In the case of any depositor whose total income does not exceed Rs. 15,000	*Nil.*
(*ii*) In the case of any depositor whose total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	5 per cent. of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed half the amount by which the total income exceeds Rs. 15,000.

(*iii*) In the case of a depositor whose total income exceeds Rs. 20,000 but does not exceed Rs. 40,000	7½ per cent. of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(*a*) an amount calculated at five per cent. on so much of the adjusted total income as does not exceed Rs. 20,000;

(*b*) one-half of the amount by which the total income exceeds Rs. 20,000.

(*iv*) In the case of a depositor whose total income exceeds Rs. 40,000 but does not exceed Rs. 70,000	10 per cent. of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(*a*) an amount calculated at seven and a half per cent. on so much of the adjusted total income as does not exceed Rs. 40,000;

(*b*) one-half of the amount by which the total income exceeds Rs. 40,000.

(*v*) In the case of a depositor whose total income exceeds Rs. 70,000	12½ per cent. of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(*a*) an amount calculated at ten per cent. on so much of the adjusted total income as does not exceed Rs. 70,000;

(*b*) one-half of the amount by which the total income exceeds Rs. 70,000.

Explanation.—In this Schedule, "total income" means total income computed in the manner laid down in the Income-tax Act without making any allowance under section 280O of that Act.

THE THIRD SCHEDULE

(*See* section 32)

FURTHER AMENDMENTS IN THE INCOME-TAX ACT

Section 156.—Omit "(including annuity deposit referred to in Chapter XXIIA)" with effect from the 1st day of April, 1967.

Section 246.—In clause (*o*),—

(*a*) in sub-clause (*v*), omit "or";

(*b*) omit sub-clause (*vi*),

with effect from the 1st day of April, 1967.

Section 280E.—Re-number the existing *Explanation* as *Explanation 1*, and after *Explanation 1* as so re-numbered, insert—

"*Explanation 2.*—The provisions of this section and of sections 280F to 280I shall not apply in respect of the financial year commencing on the 1st day of April, 1966 or any subsequent financial year.".

Omit sections 280J, 280K, 280R and 280T with effect from the 1st day of April, 1967.

Section 280M.—For sub-section (2), substitute with effect from the 1st day of April, 1967—

"(2) Where any depositor has deposited any amount for any assessment year which he is not liable to deposit under the provisions of this Chapter or which is in excess of the amount required to be deposited under the said provisions for that year, then, the entire amount or excess amount, as the case may be, may be refunded, adjusted or otherwise dealt with in such manner and having regard to such factors as may be specified in a scheme framed under section 280W.".

For section 280Q, substitute—

Rounding off.

"280Q. The amount of any deposit to be made under this Chapter shall be rounded off to the nearest multiple of ten rupees and for this purpose any part of a rupee consisting of *paise* shall be ignored and thereafter if such amount is not a multiple of ten, then, if the last figure in that amount is five or more, the amount shall be increased to the next higher amount which is a multiple of ten and if the last figure is less than five, the amount shall be reduced to the next lower amount which is a multiple of ten.".

Section 280W.—After clause (*a*) of sub-section (*2*), insert—

"(*aa*) the cases in which, the circumstances under which and the conditions subject to which, the Income-tax Officer may, under the proviso to clause (*ii*) of sub-section (*2*) of section 280C, allow a depositor to make a deposit or a further deposit after the expiry of the financial year immediately preceding the assessment year;".

S. P. SEN-VARMA,
Secy. to the Govt. of India.

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